

Financial Status Report

Prepared by the Finance Department

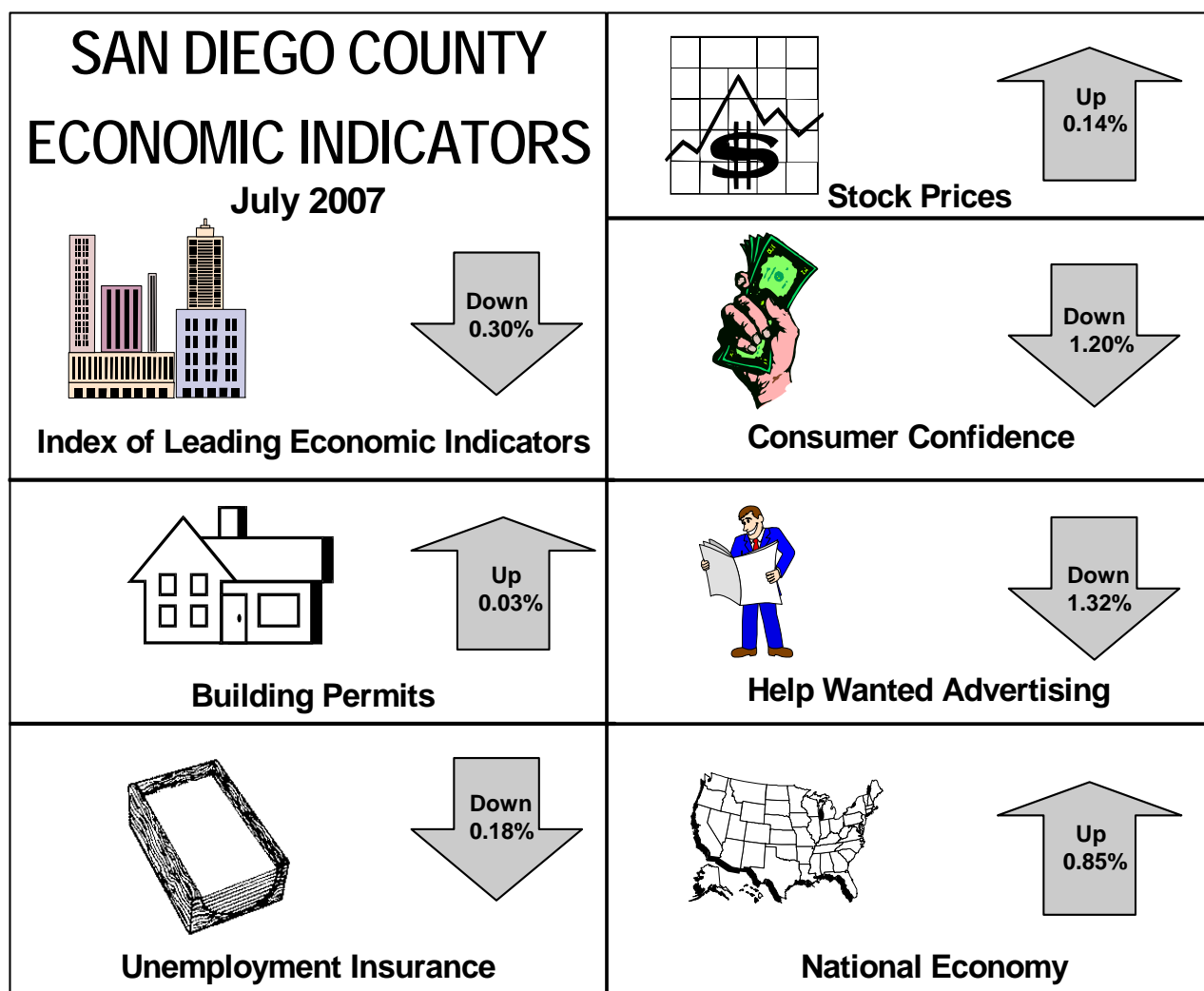


August 31, 2007

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through August 31, 2007. It compares revenues and expenditures for the first two months of Fiscal Year 2007-08 and Fiscal Year 2006-07. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

SAN DIEGO ECONOMIC INDICATORS



According to the USD Index of Leading Economic Indicators Report:

The University of San Diego's Index of Leading Economic Indicators for San Diego County fell 0.3% in July. Big declines in consumer confidence and help wanted advertising pulled the Index downward, along with a smaller decline in initial claims for unemployment insurance. On the positive side was a solid increase in the outlook for the national economy and smaller gains in building permits and local stock prices.

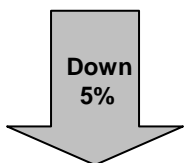
With July's decrease, the USD Index of Leading Economic Indicators has now fallen in 15 of the last 16 months. Things improved a little over the previous month, with an even split in the number of positive versus negative components. The outlook then for the local economy remains unchanged from recent months: slow growth for the rest of 2007 and into the first part of 2008. The slow housing market remains the main influence, with fewer home sales, more foreclosures, job losses in real estate-related sectors, and lower spending as home equity declines.

Residential units authorized by building permits broke a modest three month negative streak, but remain down more than a third for the year. The labor market remains weak. Initial claims for unemployment insurance increased modestly in July. The small drop in this component may signal that the recent surge in job losses may be reaching a plateau. However, there is not much help on the hiring side of the market, as help wanted advertising fell for the eleventh month in a row. Monster.com reports that online advertising suffered its first year-over-year drop since data became available in May 2005. The net impact was that the local unemployment rate rose to 4.8% in July versus 4.4% one year earlier. As was the case last month, the raw numbers on local consumer confidence were up, but the seasonally adjusted trend is down. Local consumer confidence is down 11% from its most recent high in January of this year. Despite the recent volatility in the stock market, local stock prices were up for the fourth month in a row. Local stock prices are measured by taking the average value of the local stock index for all days in the month, so big drops in the stock market at the end of July were not enough to cause a drop for the month as a whole. Although the national Index of Leading Economic Indicators posted a strong gain in July, there is still no clear trend, as the Index has alternated rising and falling for the last six months. As in the case for the local economy, the housing market is the dominant factor affecting the national economy at this point. It is now likely that the Federal Reserve will follow up its recent cut in the discount rate with further cuts before the end of the year. Whether that will be enough to prevent the weak housing market from dragging down the rest of the economy remains to be seen, but the thought here is that it will.¹

TOP GENERAL FUND REVENUES

Property Taxes (\$1.9 million) – As the majority of property tax revenue is collected in December and April each fiscal year, the property taxes collected to date are not a good indicator of what the City will be receiving during the year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 9.9% for Fiscal Year 2007-08. This is the lowest growth percentage in assessed values that the City has seen in the past five fiscal years. This reflects a countywide slow down in property valuation, but it should be noted that the City of Carlsbad still had the second largest increase year over year of any city in San Diego County.

The increase in property taxes to date is the result of timing differences in the receipt of aircraft taxes.



Sales Taxes (\$3.3 million) – For the first two months of the new fiscal year, sales tax revenues are \$169,000 (or 5%) lower than the same time period in the previous fiscal year. Sales tax revenues to date represent the second and third advances of the City's second quarter sales tax revenues. Advances are based on prior year activity, and are not a true indicator of the current economy. The primary factor in the decrease over the prior fiscal year is the result of the State Board of Equalization lowering the growth factor applied to the monthly advances in the current quarter versus the same quarter last fiscal year.

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Down in July*, August 30, 2007.

For sales occurring in the first calendar quarter of 2007 (the most recent data available), key gains could be seen in new auto sales, light industry, and apparel stores. During the same period, key declines could be seen in construction (wholesale and retail building materials), department stores, and miscellaneous retail. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 0.3% for sales occurring in the twelve months ended March 31, 2007 over the same twelve-month period last year.

The largest economic segments in the City continue to be new auto sales, department stores, restaurants, apparel stores, and miscellaneous retail. Together, they generate 67% of the City's sales tax revenues.



Transient Occupancy Tax (\$3.3 million) – Transient Occupancy Taxes (TOT) for the first two months reflect an increase of \$390,000, 14% over the previous year. A large portion of this increase (43%) is due to a timing difference. Large TOT payments were received at the beginning of July 2007, when they had been received at the end of June 2006 in the previous fiscal year. Tourism continues to remain strong, with the two largest hotels making up 24% of the total increase, and the remaining hotels in the City accounting for 33% of the total increase. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of July 2007.



Income from Investments and Property (\$699,000) – For the first two months of the fiscal year, income from investments and property is up \$190,000 compared to the previous year. The higher revenue is a combination of an increase in interest income (up 38%) and an increase from the rental and sale of City-owned property (up 36%).

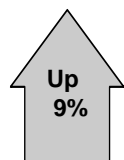
Interest income is up for the year due to the effects of a 15% increase in the average daily cash balance combined with a 7% increase in the average yield on the portfolio for the first two months of the fiscal year.

Income from property rentals and sales is up compared to the previous year primarily due to additional recreation site rentals.



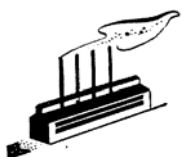
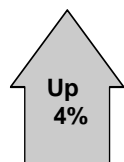
Business License Tax (\$601,000) – Business license revenues have increased by \$86,000 compared to Fiscal Year 2007. The reason for this increase is twofold. First off, overall business volumes are up, resulting in higher gross receipts, creating higher business license taxes. Secondly, a timing difference in the receipt of the annual licenses for two of the City's larger businesses added to this increase. There are currently 8,528 licensed businesses, 53 more than this

time last year. The majority of taxed businesses (5,924 businesses) are located in Carlsbad, with 2,567 of these businesses home-based.



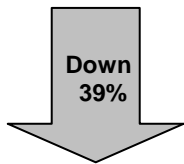
Recreation Fees (\$590,000) – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$49,000 higher than the previous fiscal year. The largest factors in this year's increase are increased participation in instructional

classes, youth and adult sports, and the annual triathlon. These increases were partially offset by lower revenues in arts camps, senior trips and the various aquatic programs.



Franchise Taxes (\$584,000) – Franchise fees are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within City limits. Year-to-date franchise fees are up \$23,000 over the same period last year due primarily to an increase in the quarterly franchise taxes paid by the cable franchisee.

Approximately 53% of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2008.

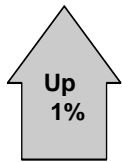


Development-Related Revenues (\$505,000) – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a decrease for the year. It is anticipated that these revenues will decline in total by almost 36% for the entire fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. The largest development-related revenue sources year-to-date is engineering plan check fees. Some of the activity in August included residential development at La Costa Ridge, Bressi Ranch and Robertson Ranch; as well as commercial development with the Aspirations Daycare Center, the Raceway Industrial Center and the continued expansion of the La Costa Resort & Spa.

Another source of development-related revenue is building permits, which are down 46% compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction and a decrease in the number of residential building permits issued. The valuation of new construction in the current fiscal year is just under \$31.1 million, while it was just under \$59.6 million in the previous fiscal year, a 48% decrease. The number of homes permitted in Carlsbad increased slightly for the month of August, with a total of seven permits being issued. Four permits were issued for small projects throughout the City, and three permits were issued for the construction of the single-family models at Cambria in La Costa Greens. For the first two months of the fiscal year, eight residential permits were issued, as compared to 37 permits issued during the same period last year.

Carlsbad issued three permits for new reportable non-residential space, for a total of 160,909 square feet in August. The non-residential space included three buildings that are a part of the Bressi Ranch Self Storage complex. Year-to-date there has been a combined 308,222 square feet in commercial/industrial permits issued, as compared to 555,116 square feet at this time in Fiscal Year 2007.



Interdepartmental Charges (\$349,000) – Interdepartmental charges are \$3,000, or 1% higher than last year. These charges are generated through engineering services charged to capital projects and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund.



Ambulance Fees (\$310,000) – The City bills any individual who is transported in one of the City's ambulances. Through August 2007, receipts from ambulance fees are up 32% or \$75,000 higher than last fiscal year at this time. Ambulance revenues have been impacted by an increase in the number of transported patients that were billed in the first two months of Fiscal Year

2007-08 versus Fiscal Year 2006-07 (638 in the current fiscal year versus 559 last fiscal year). In June of 2007, the City implemented an electronic transmission system, which has increased the efficiency of billing for our ambulance services.

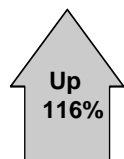


Fines and Forfeitures (\$232,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The City recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. An increase in the number of moving citations issued has led to additional revenues received by the City, although the majority of moving violation revenue is

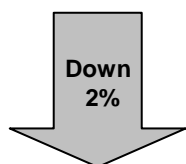
paid to the courts for the administration of these citations.

ADDITIONAL GENERAL FUND REVENUES

Although the top General Fund revenues represent approximately 95% of all General Fund revenues, the City does have some other revenue sources, although much smaller in scale. Each month, we will highlight other revenue sources to give you some insight as to how these revenues are derived and how they are doing in the current fiscal year.



Other Revenue Sources (\$115,000) – Other revenue sources include revenues received by the City to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; and refunds of prior year fees. This year's revenues reflect decreased refunds of prior year fees as well as additional revenues for developer funded studies.



Transfer Taxes (\$96,000) – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The City receives 50% of the transfer tax charged for sales within the City of Carlsbad. The housing market was extremely strong

during the past couple of years in San Diego County, but has slowed down significantly over the past year. This slow down is reflected in the decrease in transfer taxes the City has received thus far in the new fiscal year.

EXPENDITURES

Total General Fund expenditures and encumbrances for August 2007 are \$32.9 million, compared to \$29.5 million at the same time last year. This leaves \$91.6 million, or 73.6%, available through the fiscal year-end on June 30, 2008. If funds were spent in the same proportion as the previous year, the General Fund would have 73.5% available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at August 31, 2007 is 78.0%, slightly less than the 78.7% available at August 31, 2006. A couple of the larger factors reflected in the increase in committed funds for the current year is an update of the City's General Plan, Local Coastal Program and Zoning Ordinance planned for the 2007-08 Fiscal Year as well an increase in routine and emergency traffic signal maintenance.

The City Council has allocated \$2.24 million out of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. As of August 31, 2007, just under \$28,000 has been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$2,240,000		
USES:			
School Adult Crossing Guard Services Contract	<u>(27,610)</u>	08/07/2007	2007-202
TOTAL USES	<u>(27,610)</u>		
AVAILABLE BALANCE	<u><u>\$2,212,390</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 08/31/07	ACTUAL FY 2007 AS OF 08/31/06	ACTUAL FY 2008 AS OF 08/31/07	CHANGE FROM YTD 2007 TO YTD 2008	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$1,846,352	\$1,613,108	\$1,901,042	\$287,934	18%
SALES TAX	3,537,119	3,461,112	3,292,545	(168,567)	-5%
TRANSIENT TAX	3,025,838	2,866,433	3,256,672	390,239	14%
FRANCHISE TAX	590,250	561,184	584,221	23,037	4%
BUSINESS LICENSE TAX	552,282	514,516	600,597	86,081	17%
TRANSFER TAX	78,615	97,927	95,690	(2,237)	-2%
TOTAL TAXES	9,630,454	9,114,280	9,730,767	616,487	7%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	167,099	162,623	51,506	(111,117)	-68%
HOMEOWNERS EXEMPTIONS	0	0	0	0	0%
OTHER	143,574	159,584	98,438	(61,146)	-38%
TOTAL INTERGOVERNMENTAL	310,673	322,207	149,944	(172,263)	-53%
LICENSES AND PERMITS					
BUILDING PERMITS	137,289	191,587	102,836	(88,751)	-46%
OTHER LICENSES & PERMITS	156,143	194,091	145,807	(48,284)	-25%
TOTAL LICENSES & PERMITS	293,433	385,678	248,643	(137,035)	-36%
CHARGES FOR SERVICES					
PLANNING FEES	122,043	302,227	152,519	(149,708)	-50%
BUILDING DEPARTMENT FEES	111,946	120,793	87,426	(33,367)	-28%
ENGINEERING FEES	135,312	213,077	162,662	(50,415)	-24%
AMBULANCE FEES	260,833	235,416	310,051	74,635	32%
RECREATION FEES	553,087	541,781	590,345	48,564	9%
OTHER CHARGES OR FEES	117,131	114,342	197,691	83,349	73%
TOTAL CHARGES FOR SERVICES	1,300,352	1,527,636	1,500,694	(26,942)	-2%
FINES AND FORFEITURES	182,142	211,661	232,225	20,564	10%
INCOME FROM INVESTMENTS & PROPERTY	508,472	509,031	698,833	189,802	37%
INTERDEPARTMENTAL CHARGES	428,333	345,885	348,542	2,657	1%
OTHER REVENUE SOURCES	125,975	53,147	114,823	61,676	116%
TOTAL GENERAL FUND	\$12,779,834	\$12,469,525	\$13,024,471	\$554,946	4%

(1)

(1) Calculated General Fund revenues are 1.9% above estimates as of August 2007.

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT					
DEPT	DESCRIPTION	TOTAL	AS OF 08/31/07		
		BUDGET FY 2007-08	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE*
POLICY/LEADERSHIP GROUP					
	CITY COUNCIL	\$392,144	\$51,895	\$340,249	86.8%
	CITY MANAGER	1,690,191	248,820	1,441,371	85.3%
	COMMUNICATIONS	1,221,983	339,438	882,545	72.2%
	CITY CLERK	172,296	56,322	115,974	67.3%
	CITY ATTORNEY	1,265,460	194,928	1,070,532	84.6%
	CITY TREASURER	192,675	26,196	166,479	86.4%
	TOTAL POLICY/LEADERSHIP	4,934,749	917,599	4,017,150	81.4%
ADMINISTRATIVE SERVICES					
	ADMINISTRATION	965,575	140,381	825,194	85.5%
	ENVIRONMENTAL RESOURCES MGMT.	149,750	101	149,649	99.9%
	FINANCE	3,273,579	653,919	2,619,660	80.0%
	HUMAN RESOURCES	3,105,090	639,456	2,465,634	79.4%
	RECORDS MANAGEMENT	941,926	153,908	788,018	83.7%
	TOTAL ADMINISTRATIVE SERVICES	8,435,920	1,587,765	6,848,155	81.2%
PUBLIC SAFETY					
	POLICE	26,078,047	4,352,004	21,726,043	83.3%
	FIRE	17,472,051	3,442,642	14,029,409	80.3%
	TOTAL PUBLIC SAFETY	43,550,098	7,794,646	35,755,452	82.1%
COMMUNITY DEVELOPMENT					
	COMMUNITY DEVELOPMENT ADMIN	2,670,279	2,157,911	512,368	19.2%
	HIRING CENTER (c)	88,000	82,946	5,054	5.7%
	GEOGRAPHIC INFORMATION	558,867	72,749	486,118	87.0%
	ECONOMIC DEV/REAL ESTATE MANAGEMENT	321,539	43,158	278,381	86.6%
	PLANNING	4,958,059	936,918	4,021,141	81.1%
	BUILDING	2,344,732	683,888	1,660,844	70.8%
	TOTAL COMMUNITY DEVELOPMENT	10,941,476	3,977,570	6,963,906	63.6%
COMMUNITY SERVICES					
	PARK PLANNING & RECREATION	6,033,992	1,173,507	4,860,485	80.6%
	SENIOR PROGRAMS	1,396,283	507,758	888,525	63.6%
	LIBRARY	9,966,630	1,759,872	8,206,758	82.3%
	CULTURAL ARTS	920,470	196,654	723,816	78.6%
	TOTAL COMMUNITY SERVICES	18,317,375	3,637,791	14,679,584	80.1%
PUBLIC WORKS					
	PUBLIC WORKS ADMINISTRATION	1,169,984	198,755	971,229	83.0%
	ENGINEERING	10,088,099	2,229,170	7,858,929	77.9%
	PARKS	5,779,953	1,360,138	4,419,815	76.5%
	STREETS & TRAFFIC SIGNALS	4,022,741	1,456,819	2,565,922	63.8%
	FACILITIES	4,271,673	1,344,403	2,927,270	68.5%
	TOTAL PUBLIC WORKS	25,332,450	6,589,285	18,743,165	74.0%
NON-DEPARTMENTAL & CONTINGENCY					
	OTHER NON-DEPARTMENTAL (a)	2,152,982	249,229	1,903,753	88.4%
	TRANSFERS OUT	8,621,800	8,175,000	446,800	5.2%
	CONTINGENCY	2,212,390	0	2,212,390	100.0%
	TOTAL NON-DEPT & CONTINGENCY	12,987,172	8,424,229	4,562,943	35.1%
TOTAL GENERAL FUND		\$124,499,240	\$32,928,885	\$91,570,355	73.6%

(a) Other non-departmental expenses include property tax administration fees, assessment district administration, citywide litigation expenses, 2005 storm damage costs and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

(c) The Hiring Center contracts are encumbered in full at the beginning of each year, thereby reducing the available funds.

* Amount available would be 73.5% if funds were spent in the same proportion as the previous year.

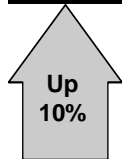
WATER ENTERPRISE

WATER OPERATIONS FUND
AUGUST 31, 2007

	BUDGET FY 2007-08	YTD 08/31/2007	YTD 08/31/2008	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
REVENUES					
WATER SALES	16,218,282	3,090,287	3,269,700	179,413	5.8%
CHARGES FOR CURRENT SERVICES	5,315,922	704,450	728,766	24,316	3.5%
PROPERTY TAXES	2,488,479	46,966	47,907	941	2.0%
FINES, FORFEITURES & PENALTIES	255,000	45,759	48,451	2,692	5.9%
INTEREST	326,216	84,361	74,129	(10,232)	-12.1%
OTHER REVENUES	514,500	61,541	58,225	(3,316)	-5.4%
TOTAL OPERATING REVENUE	25,118,399	4,033,364	4,227,178	193,814	4.8%
EXPENSES					
STAFFING	3,039,451	431,418	443,310	11,892	2.8%
INTERDEPARTMENTAL SERVICES	2,326,132	373,051	388,722	15,671	4.2%
PURCHASED WATER	13,500,000	1,238,731	1,236,622	(2,109)	-0.2%
MWD/CWA FIXED CHARGES	2,689,925	200,028	209,390	9,362	4.7%
OUTSIDE SERVICES/MAINTENANCE	630,617	50,010	35,454	(14,556)	-29.1%
DEPRECIATION/REPLACEMENT	2,993,000	0	0	0	0.0%
CAPITAL OUTLAY	11,650	0	0	0	0.0%
MISCELLANEOUS EXPENSES	1,122,536	40,017	251,881	211,864	529.4%
TOTAL OPERATING EXPENSES	26,313,311	2,333,255	2,565,379	232,124	9.9%
OPERATING INCOME/(LOSS)	(1,194,912)	1,700,109	1,661,799	(38,310)	-2.3%

Revenues

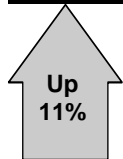
- The increase in water sales is the result of a 4.8% increase in the number of water unit sales combined with a 5% rate increase that went into effect on August 1, 2006.
- An additional 2,443 residential water customers over the last twelve months and a 5% increase in the monthly delivery charge of water that went into effect on August 1, 2006, have impacted charges for current services in the 2007-08 Fiscal Year.
- An increase in late charges is reflected in higher fines, forfeitures and penalties. Late charges are 10% of a water bill, and tend to go up as water sales and the customer base increase.
- The decrease in interest revenue is due to the Marbella settlement costs and legal fees paid by the Enterprise in August 2007, but reflected in the 2006-07 Fiscal Year expenses.

Expenses

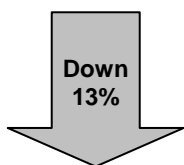
- Staffing costs reflect normal salary increases.
- An increase in engineering services charged to water operations and higher information technologies charges are the primary factors in the change in interdepartmental services.
- Purchase water expenses lag water sales by one month.
- Costs in Fiscal Year 2006-07 related to the proposed desalination facility are reflected in the decrease in outside services and maintenance.
- Additional Marbella settlement costs and legal fees in the current fiscal year created the large increase in miscellaneous expenses.

WASTEWATER ENTERPRISE

WASTEWATER OPERATIONS FUND					
AUGUST 31, 2007					
	BUDGET FY 2007-08	YTD 08/31/2006	YTD 08/31/2007	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
REVENUES					
CHARGES FOR CURRENT SERVICES	8,320,565	1,215,556	1,354,299	138,743	11.4%
INTEREST	145,770	30,392	27,645	(2,747)	-9.0%
OTHER REVENUES	273,436	42,409	43,194	785	1.9%
TOTAL OPERATING REVENUE	8,739,771	1,288,357	1,425,138	136,781	10.6%
EXPENSES					
STAFFING	1,494,962	164,202	156,144	(8,058)	-4.9%
INTERDEPARTMENTAL SERVICES	1,269,141	176,011	188,291	12,280	7.0%
ENCINA PLANT SERVICES	3,382,381	0	0	0	0.0%
OUTSIDE SERVICES/MAINTENANCE	271,484	15,462	11,763	(3,699)	-23.9%
DEPRECIATION/REPLACEMENT	3,332,000	0	0	0	0.0%
CAPITAL OUTLAY	816,200	46,260	0	(46,260)	-100.0%
MISCELLANEOUS EXPENSES	409,622	36,787	26,646	(10,141)	-27.6%
TOTAL OPERATING EXPENSES	10,975,790	438,722	382,844	(55,878)	-12.7%
OPERATING INCOME/LOSS	(2,236,019)	849,635	1,042,294	192,659	22.7%

Revenues

- The increase in charges for current services is primarily the result of an additional 2,162 new residential sewer customers over the past twelve months, as well as an 8.5% rate increase that went into effect on August 1, 2006.
- Decreased interest revenue is the result of a 17% lower average daily cash balance combined with a 7% increase in the yield on the portfolio for the year.

Expenses

- Reduced staffing expenses are the result of temporary vacancies.
- An increase in engineering services charged to sewer operations and information technology services are the primary factors in higher interdepartmental services.
- Outside services and maintenance costs reflect minor sewer line repairs made last year at this time.
- Capital outlay expenses in the prior fiscal year included the purchase of a submersible pump.
- A reduction in the safety equipment purchases accounts for a majority of the decrease in miscellaneous expenses.

REDEVELOPMENT AGENCY

CARLSBAD REDEVELOPMENT AGENCY VILLAGE PROJECT AREA OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS AUGUST 31, 2007					
	BUDGET FY 2007-08	YTD 08/31/2006	YTD 08/31/2007	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
REVENUES					
PROPERTY TAXES	2,748,000	0	0	0	0.0%
INTEREST	70,000	13,332	23,615	10,283	77.1%
OTHER REVENUES	48,500	20,194	14,540	(5,654)	-28.0%
TOTAL OPERATING REVENUE	2,866,500	33,526	38,155	4,629	13.8%
EXPENDITURES					
STAFFING	186,474	25,361	36,798	11,437	45.1%
INTERDEPARTMENTAL SERVICES	94,893	14,210	15,816	1,606	11.3%
RENTALS & LEASES	170,254	122,345	124,751	2,406	2.0%
DEBT EXPENSE	1,046,165	737,633	748,608	10,975	1.5%
CAPITAL OUTLAY	992,874	17,234	376,304	359,070	2083.5%
OUTSIDE SERVICES, MAINT & MISC	141,074	96,993	33,535	(63,459)	-65.4%
TOTAL OPERATING EXPENDITURES	2,631,734	1,013,776	1,335,812	322,035	31.8%
TOTAL OPERATING REVENUES OVER EXPENDITURES	234,766	(980,250)	(1,297,657)	(317,406)	32.4%

Revenues

- Assessed values for the year have increased by 2.2% in the Village Redevelopment Area. The first installment of property tax revenues will be received in October 2007.
- Increased interest revenue is the result of a 50% higher average daily cash balance combined with a 7% increase in the yield on the portfolio for the year.
- The expiration of the Children's Museum building lease and the Pizza Port parking lot lease have negatively impacted other revenues.

Expenditures

- Increased staffing costs are the result of normal salary and related benefits increases, the reallocation of staff salaries and the filling of a previously vacant part-time position.
- Higher interdepartmental charges are the result of the increased costs of information technology services.
- Debt expenses to date represent the first of two bond payments by the Agency.
- The majority of the capital outlay expenditures relate to the Senior Center expansion.
- During the previous fiscal year, the Agency was conducting a downtown village retail analysis and revitalization project, as well as performing a design standards review, as reflected in the reduction in outside services, maintenance and miscellaneous expenditures.